STATE OF ILLINOIS
HEALTH FACILITIES AND SERVICES REVIEW BOARD
525 WEST JEFFERSON ST. • SPRINGFIELD, ILLINOIS 62761 •(217) 782-3516 FAX: (217) 785-4111

DOCKET NO: H-10	BOARD MEETING: August 16, 2011	PROJECT NO: 11-031	PROJECT COST: Original: $5,633,602 Current: $
FACILITY NAME: DSI Loop Renal Center		CITY: Chicago	
TYPE OF PROJECT: Non-substantive			HSA: VI

PROJECT DESCRIPTION: Davita, Inc and DSI Renal, Inc. ("the applicants") are requesting a change of ownership of a 28 station ESRD facility located in Chicago, Illinois. The cost of the project is $5,633,602.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- Davita, Inc and DSI Renal, Inc. ("the applicants") are requesting a change of ownership of a 28 station ESRD facility located in Chicago, Illinois. The cost of the project is $5,633,602. **The anticipated completion date is September 2, 2011.**

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes a change of ownership of a health care facility as defined by the Act. 20 ILCS 3960/3

PURPOSE OF THE PROJECT:

- Davita, Inc. is purchasing CDSI I, Holding Company, Inc. (the ultimate parent of DSI Renal, Inc.) for approximately $690 million. DSI Renal, Inc. (based in Nashville, Tenn.) currently operates 106 dialysis centers serving approximately 8,000 patients. DSI's current annualized revenue is approximately $360 million. There are 10 DSI facilities located in Illinois. Completion of the Merger is subject to customary closing conditions, including, among others, (a) approval by a majority of the outstanding shares of capital stock of DSI, (b) clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (c) entry into a non-competition agreement by certain stockholders of DSI and their affiliates, and (d) the absence of a Company Material Adverse Effect (as defined in the Merger Agreement) occurring after the date of the Merger Agreement. DaVita Inc. anticipates that the company will have to divest some centers as a condition of the transaction.

REQUIREMENTS FOR CHANGE OF OWNERSHIP:

- **An applicant proposing a change of ownership must provide** details on any proposed changes in the beds or services currently offered, the operating entity, the reason for the transaction, any anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction for a two year period following the completion of the change of ownership. An applicant must also document any changes in the restriction of patient admissions and document that no reductions in access to care will result from the proposed change of ownership transaction. **A change of ownership of an existing facility does not require evidence of need for the facility.**

BACKGROUND/COMPLIANCE ISSUES:

- None

PUBLIC COMMENTS:

- No letters of support of opposition were received by the State Agency and there was no request for a public hearing.

FINANCIAL AND ECONOMIC FEASIBILITY:

- The project will be funded with cash. DaVita has over $1 billion in cash and securities as of March 31, 2011. DaVita has sufficient funds to fund the transaction.

CONCLUSIONS:

- The applicants have stated that there will be no change in services being offered, no change in the number of employees, no change in the operating entity, and no restrictions in the admission of patients or access to care.

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STATE AGENCY REPORT
DSI Loop Renal Center
Project #11-031

APPLICATION SUMMARY	
Applicants	Davita, Inc. DSI Renal Inc.
Facility Name	DSI Loop Renal Center
Location	Chicago, Illinois
Application Received	May 27, 2011
Application Deemed Complete	May 29, 2011
Scheduled Review Period Ended	July 28, 2011
Review Period Extended by the State Agency?	No
Public Hearing Held?	No
Applicants' Deferred Project?	No
Can Applicants Request Another Deferral?	Yes
Applicants' Modified the Project?	No

I. The Proposed Project

The applicants' propose a change of ownership for a 28-station end stage renal center ("ESRD") known as DSI Loop Renal Center, Chicago, Illinois. The cost of the project is $5,633,602.

II. Summary of Findings

A. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1110.

B. The State Agency finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Davita, Inc. and DSI Renal, Inc. DSI Loop Renal Center is located at 1101 South Canal Street, Chicago, Illinois. The operating entity is DSI Renal, Inc. and the owner of the site is Canal Taylor South, LLC. The proposed project is located in Cook County in the HSA VI ESRD planning area. HSA VI consists of the City of Chicago.

Project obligation will occur after permit issuance. The anticipated completion date is September 2, 2011.

Summary of Support and Opposition Letters

No letters of support or opposition were received by the State Agency. An opportunity for a public hearing was offered; no hearing was requested.

Charity Care

Table One below outlines the net revenue and the charity care charges and costs for DSI Loop Renal Center.

Table One
DSI Loop Renal Center

Fiscal Year	Net Revenue	Charity Care Charges	Charity Care Costs
2008	$5,965,334	4,984	6,949
2009	$4,216,569	0	0
2010	$3,708,194	0	0

Davita's Safety Net Statement

DaVita accepts and dialyzes patients with renal failure needing a regular course of dialysis without regard to race, color, national origin, gender, sexual orientation, age, religion, disability or ability to pay. Complete charity care is very unusual as most dialysis patients are covered by some type of payment system.

US Citizen patients are covered by commercial insurance, Medicare or Medicaid. If not covered through one of these avenues there are options through application and acceptance to receive payment through the American Kidney Foundation or National Kidney Foundation. For non-qualified aliens in IL the Emergency Medicaid program covers them.

If we have exhausted all other avenues for payment methods, we have a patient financial evaluation policy in place. From this evaluation we determine the financial ability and obligation to pay.

This information was taken from Davita Inc. 10-K for fiscal year ended December 31, 2010

"Medicare pays 80% of the amount set by the Medicare system for each covered treatment. The patient is responsible for the remaining 20%. In most cases, a secondary payor, such as Medicare supplemental insurance, a state Medicaid program or a commercial health plan, covers all or part of these balances. Some patients, who do not qualify for Medicaid but otherwise cannot afford secondary insurance, can apply for premium payment assistance from charitable organizations through a program offered by the American Kidney Fund. We and other dialysis providers support the American Kidney Fund and similar programs through voluntary contributions. If a patient does not have secondary insurance coverage, we are generally unsuccessful in our efforts to collect from the patient the 20% portion of the ESRD composite rate that Medicare does not pay. However, we are able to recover some portion of this unpaid patient balance from Medicare through an established cost reporting process by identifying these Medicare bad debts on each center's Medicare cost report.

TABLE THREE
DAVITA INC.
Illinois Facilities
Chronic Hemodialysis
Safety Net Information

CHARITY CARE	2007	2008	2009	2010
Charity (# of Self-Pay Patients)	8	10	19	30
Charity (Self-Pay Cost)	$250,518	$297,508	$575,803	$957,867
MEDICAID				
Medicaid (Patients)	204	214	220	270
Medicaid (Revenue)	$8,929,985	$9,073,985	$9,212,781	$10,883,486

IV. The Proposed Project – Details

This change of ownership is part of a merger of DSI Renal, Inc. of Nashville Tennessee and DaVita Inc. DSI Renal, Inc. owns ten facilities in Illinois. The total purchase price of the Illinois facilities is $93,839,865. The value of each Illinois facility was based on the ratio of forward looking EBITDA for a given center divided by the aggregate forward looking EBITDA for DSI multiplied by the $690 million purchase price of DSI.

EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA is a particularly useful way to value companies on a comparable basis because it adjusts for differences in accounting policies (which can impact depreciation and amortization), differences in capital structure (which can impact interest expense) or differences in corporate structure (which can impact the tax status of the company). By normalizing for these items, it allows one to focus on just the operations of the company and thereby to address its intrinsic value.

The Loop facility is a 28 station facility currently operating at 42.86%.

V. Project Costs and Sources of Funds

Table Three shows the project's sources and uses of funds. The project is being funded with cash and securities in the amount of $5,633,602.

TABLE THREE DSI Loop Renal Center – Uses and Sources of Funds	
Use of Funds	**Total**
Other Costs to be Capitalized	$5,633,602
Totals	$5,633,602
Source of Funds	
Cash and Securities	$5,633,602
Total	$5,633,602

VI. Section 1110.230 – Background, Project Purpose, and Alternatives − Information Requirements

The information requirements contained in this Section are applicable to all projects except projects that are solely for discontinuation. An applicant shall document the ***qualifications, background, character and financial resources to adequately provide a proper service for the community*** **and also demonstrate that the project promotes the** ***orderly and economic development of health care facilities in the State of Illinois that avoids unnecessary duplication of facilities*** **or service. [20 ILCS 3960/2]**

A) Criterion 1110.230 (a) - Background of Applicant

1) **An applicant must demonstrate that it is fit, willing and able, and *has the qualifications, background and character, to adequately provide a proper standard of health care service for the community.* [20 ILCS 3960/6] In evaluating the qualifications, background and character of the applicant, HFPB shall consider whether adverse action has been taken against the applicant, or against any health care facility owned or operated by the applicant, directly or indirectly, within three years preceding the filing of the application. A health care facility is considered "owned or operated" by every person or entity that owns, directly or indirectly, an ownership interest. If any person or entity owns any option to acquire stock, the stock shall be considered to be owned by such person or entity (refer to 77 Ill. Adm. Code 1100 and 1130 for definitions of terms such as "adverse action", "ownership interest" and "principal shareholder").**

The applicants have provided the necessary information as required by the criterion.

B) **Criterion 1110.230 (b) - Purpose of the Project**
The applicant shall document that the project will provide health services that improve the health care or well-being of the market area population to be served. The applicant shall define the planning area or market area, or other, per the applicant's definition.

1) **The applicant shall address the purpose of the project, i.e., identify the issues or problems that the project is proposing to address or solve. Information to be provided shall include, but is not limited to, identification of existing problems or issues that need to be addressed, as applicable and appropriate for the project. Examples of such information include:**

A) **The area's demographics or characteristics (e.g., rapid area growth rate, increased aging population, higher or lower fertility rates) that may affect the need for services in the future;**

B) **The population's morbidity or mortality rates;**

C) The incidence of various diseases in the area;

D) The population's financial ability to access health care (e.g., financial hardship, increased number of charity care patients, changes in the area population's insurance or managed care status);

E) The physical accessibility to necessary health care (e.g., new highways, other changes in roadways, changes in bus/train routes or changes in housing developments).

2) The applicant shall cite the source of the information (e.g., local health department Illinois Project for Local Assessment of Need (IPLAN) documents, Public Health Futures, local mental health plans, or other health assessment studies from governmental or academic and/or other independent sources).

3) The applicant shall detail how the project will address or improve the previously referenced issues, as well as the population's health status and well-being. Further, the applicant shall provide goals with quantified and measurable objectives with specific time frames that relate to achieving the stated goals.

4) For projects involving modernization, the applicant shall describe the conditions being upgraded. For facility projects, the applicant shall include statements of age and condition and any regulatory citations. For equipment being replaced, the applicant shall also include repair and maintenance records.

The purpose of this project is to seek approval from the IHFSRB of the merger of DaVita, Inc. and DSI Renal, Inc as required by 20 ILCS 3960. *According to the applicants this merger will maintain life sustaining ESRD services for DSI patients. In addition the acquisition of DSI Renal, Inc. will create economies of scale, integrate clinical administrative and support functions, eliminate functional redundancies and redesign patient care delivery and allow the systems to share the resources and benefits of DaVita's infrastructure and processes and quality initiatives.*

C) Criterion 1110.230 (c) - Alternatives to the Proposed Project
The applicant shall document that the proposed project is the most effective or least costly alternative for meeting the health care needs of the population to be served by the project.

1) Alternative options shall be addressed. Examples of alternative options include:

A) Proposing a project of greater or lesser scope and cost;

B) Pursuing a joint venture or similar arrangement with one or more providers or entities to meet all or a portion of the project's intended purposes; developing alternative settings to meet all or a portion of the project's intended purposes;

C) Utilizing other health care resources that are available to serve all or a portion of the population proposed to be served by the project; and

D) Other considerations.

2) Documentation shall consist of a comparison of the project to alternative options. The comparison shall address issues of cost, patient access, quality and financial benefits in both the short term (within one to three years after project completion) and long term. This may vary by project or situation.

3) The applicant shall provide empirical evidence, including quantified outcome data that verifies improved quality of care, as available.

Alternative considered:
- Do Nothing
- Do Not Purchase the 10 DSI Renal Inc. facilities in Illinois
- Purchase the 10 DSI Renal Inc. facilities

The applicants believed the do nothing alternative and excluding the

Illinois facilities from the nation wide merger would not address the purpose of this transaction as outlined above. There was no cost to these alternatives. The selected alternative of purchasing all 10 DSI facilities in Illinois allows the applicants to successfully address the purpose of this project.

VII. Section 1110.240 - Changes of Ownership, Mergers and Consolidations

A) Criterion 1110.234 (b) - Impact Statement

The applicant must submit an impact statement which details any proposed changes in the beds or services currently offered, who the anticipated operating entity will be, the reason for the transaction, any anticipated additions or reductions in employees, and a cost/benefit analysis of the transaction. The statement must reflect at least a two-year period following the date of the change of ownership, merger or consolidation.

The applicants have attested there will no change in the number of ESRD stations as a result of purchase, or change in the operating entity or any changes in clinical employees for the next two years except to the extent DSI staffing model conflicts with those of DaVita. It is anticipated that economies of scale will be realized from the merger of these two entities.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CRITERION IMPACT STATEMENT (77 IAC 1110.234 (b)).

B) Criterion 1110.234 (c) - Access

The applicant must document any changes which may result in the restriction of patient admissions and document that no reductions in access to care will result from the transaction. Documentation shall consist of a written certification that the admission policies of the facilities involved will not become more restrictive and the submission of both the current formal admission policies of all institutions involved and the anticipated policy following completion of the project.

d) Health Care System – Review Criterion

1) The applicant must document that:

A) the applicant's care system will not restrict the use of other area care providers; or

B) the project improves access to services previously unavailable in the community because of the structure of the applicant's care system.

2) Documentation must detail the current and proposed relationship with those health care or health related organizations which are to be owned (in whole or in part), affiliated, operated, or under management contract with the applicant and provide the following:

A) all care system service providers and services offered including location, types of services, number of beds, and utilization levels for provided services over the last 12-month period; and

B) the proposed relationship of the project to the care system. Data should include where referrals for categories of service not available at the proposed project will be made, how duplication of services will be resolved, time and travel factors involving referrals within the care system and any organization policies concerning the use of care system providers over other area providers.

VIII. Section 1120.120 - Availability of Funds − Review Criteria

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs by providing evidence of sufficient financial resources from the following sources, as applicable:

a) Cash and Securities − statements (e.g., audited financial statements, letters from financial institutions, board resolutions) as to:

1) the amount of cash and securities available for the project, including the identification of any security, its value and availability of such funds; and

2) interest to be earned on depreciation account funds or to be earned on any asset from the date of applicant's submission through project completion;

b) Pledges − for anticipated pledges, a summary of the anticipated pledges showing anticipated receipts and discounted value, estimated time table of gross receipts and related fundraising expenses, and a discussion of past fundraising experience. Provide a list of confirmed pledges from major donors (over $100,000);

c) Gifts and Bequests − verification of the dollar amount, identification of any conditions of use, and the estimated time table of receipts;

d) Debt − a statement of the estimated terms and conditions (including the debt time period, variable or permanent interest rates over the debt time period, and the anticipated repayment schedule) for any interim and for the permanent financing proposed to fund the project, including:

1) For general obligation bonds, proof of passage of the required referendum or evidence that the governmental unit has the authority to issue the bonds and evidence of the dollar amount of the issue, including any discounting anticipated;

2) For revenue bonds, proof of the feasibility of securing the specified amount and interest rate;

3) For mortgages, a letter from the prospective lender attesting to the expectation of making the loan in the amount and time indicated, including the anticipated interest rate and any conditions associated with the mortgage, such as, but not limited to, adjustable interest rates, balloon payments, etc.;

4) For any lease, a copy of the lease, including all the terms and conditions, including any purchase options, any capital

improvements to the property and provision of capital equipment;

e) **Governmental Appropriations − a copy of the appropriation Act or ordinance accompanied by a statement of funding availability from an official of the governmental unit. If funds are to be made available from subsequent fiscal years, a copy of a resolution or other action of the governmental unit attesting to this intent;**

f) **Grants − a letter from the granting agency as to the availability of funds in terms of the amount and time of receipt;**

g) **All Other Funds and Sources − verification of the amount and type of any other funds that will be used for the project.**

This transaction is a change of ownership of a dialysis facility for cash. A review of the financial statements indicates the purchaser (DaVita, Inc.) has sufficient cash to fund the project.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE AVAILABILITY OF FUNDS CRITERION (77 IAC 1120.120).

IX. Section 1120.130 - Financial Viability − Review Criteria

a) **Financial Viability Waiver**
The applicant is NOT required to submit financial viability ratios if:

1) **all project capital expenditures, including capital expended through a lease, are completely funded through internal resources (cash, securities or received pledges); or**

HFSRB NOTE: Documentation of internal resources availability shall be available as of the date the application is deemed complete.

2) the applicant's current debt financing or projected debt financing is insured or anticipated to be insured by Municipal Bond Insurance Association Inc. (MBIA), or its equivalent; or

HFSRB NOTE: MBIA Inc is a holding company whose subsidiaries provide financial guarantee insurance for municipal bonds and structured financial projects. MBIA coverage is used to promote credit enhancement as MBIA would pay the debt (both principal and interest) in case of the bond issuer's default.

3) the applicant provides a third-party surety bond or performance bond letter of credit from an A rated guarantor (insurance company, bank or investing firm) guaranteeing project completion within the approved financial and project criteria.

b) Viability Ratios
The applicant or co-applicant that is responsible for funding or guaranteeing funding of the project shall provide viability ratios for the latest three years for which audited financial statements are available and for the first full fiscal year at target utilization, but no more than two years following project completion. When the applicant's facility does not have facility specific financial statements and the facility is a member of a health care system that has combined or consolidated financial statements, the system's viability ratios shall be provided. If the health care system includes one or more hospitals, the system's viability ratios shall be evaluated for conformance with the applicable hospital standards. The latest three years' audited financial statements shall consist of:

1) Balance sheet;

2) Revenues and expenses statement;

3) Changes in fund balance; and

4) Changes in financial position.

HFSRB NOTE: To develop the above ratios, facilities shall use and submit audited financial statements. If audited financial statements are

not available, the applicant shall use and submit Federal Internal Revenue Service tax returns or the Federal Internal Revenue Service 990 report with accompanying schedules. If the project involves the establishment of a new facility and/or the applicant is a new entity, supporting schedules to support the numbers shall be provided documenting how the numbers have been compiled or projected.

c) Variance

Applicants not in compliance with any of the viability ratios shall document that another organization, public or private, shall assume the legal responsibility to meet the debt obligations should the applicant default.

This purchase is an all cash transaction. The applicants have met the financial viability waiver explained above.

S & P and Fitch classify Davita, Inc. the purchaser's credit rating as BB- and Moody's classify Davita credit rating as B2. These are speculative credit ratings.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE FINANCIAL VIABILITY CRITERION (77 IAC 1110.130).

X. Section 1120.140 - Economic Feasibility − Review Criteria

A) Criterion 1110.140(a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements by submitting a notarized statement signed by an authorized representative that attests to one of the following:

1) That the total estimated project costs and related costs will be funded in total with cash and equivalents, including investment securities, unrestricted funds, received pledge receipts and funded depreciation; or

2) That the total estimated project costs and related costs will be funded in total or in part by borrowing because:

A) A portion or all of the cash and equivalents must be retained in the balance sheet asset accounts in order to maintain a current ratio of at least 2.0 times for hospitals and 1.5 times for all other facilities; or

B) Borrowing is less costly than the liquidation of existing investments, and the existing investments being retained may be converted to cash or used to retire debt within a 60-day period.

No debt is being used to fund this purchase. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF FINANCING ARRANGEMENTS CRITERION (77 IAC 1110.140 (a)).

B) Criterion 1120.140 (b) - Conditions of Debt Financing
This criterion is applicable only to projects that involve debt financing. The applicant shall document that the conditions of debt financing are reasonable by submitting a notarized statement signed by an authorized representative that attests to the following, as applicable:

1) **That the selected form of debt financing for the project will be at the lowest net cost available;**

2) **That the selected form of debt financing will not be at the lowest net cost available, but is more advantageous due to such terms as prepayment privileges, no required mortgage, access to additional indebtedness, term (years), financing costs and other factors;**

3) **That the project involves (in total or in part) the leasing of equipment or facilities and that the expenses incurred with leasing a facility or equipment is less costly than constructing a new facility or purchasing new equipment.**

No debt is being used to fund this purchase. The applicants have met the requirements of this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE CONDITIONS OF DEBT FINANCING CRITERION (77 IAC 1110.140 (b)).

C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs

The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

1) **Preplanning costs shall not exceed the standards detailed in Appendix A of this Part.**

2) **Total costs for site survey, soil investigation fees and site preparation shall not exceed the standards detailed in Appendix A unless the applicant documents site constraints or complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.**

3) **Construction and modernization costs per square foot shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent**

with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Construction and modernization costs (i.e., all costs contained in construction and modernization contracts) plus contingencies shall be evaluated for conformance with the standards detailed in Appendix A.

4) Contingencies (stated as a percentage of construction costs for the project's stage of architectural development) shall not exceed the standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

HFSRB NOTE: Contingencies shall be limited in use for construction or modernization (line item) costs only and shall be included in construction and modernization cost per square foot calculations and evaluated for conformance with the standards detailed in Appendix A. If, subsequent to permit issuance, contingencies are proposed to be used for other component (line item) costs, an alteration to the permit (as detailed in 77 Ill. Adm. Code 1130.750) must be approved by HFSRB prior to that use.

5) New construction or modernization fees and architectural/engineering fees shall not exceed the fee schedule standards detailed in Appendix A unless the applicant documents construction constraints or other design complexities and provides evidence that the costs are similar to or consistent with other projects that have experienced similar constraints or complexities.

6) The costs of all capitalized equipment not included in construction contracts shall not exceed the standards for equipment as detailed in Appendix A unless the applicant documents the need for additional or specialized equipment due to the scope or complexities of the services to be provided. As documentation, the applicant must provide evidence that the costs are similar to or consistent with other projects of similar scope and complexity, and attest that the equipment will be acquired at the lowest net cost available, or that the choice of

higher cost equipment is justified due to such factors as, but not limited to, maintenance agreements, options to purchase, or greater diagnostic or therapeutic capabilities.

7) Building acquisition, net interest expense, and other estimated costs shall not exceed the standards detailed in Appendix A. If Appendix A does not specify a standard for the cost component, the applicant shall provide documentation that the costs are consistent with industry norms based upon a comparison with previously approved projects of similar scope and complexity.

8) Cost Complexity Index (to be applied to hospitals only)
The mix of service areas for new construction and modernization will be adjusted by the table of cost complexity index detailed in Appendix A.

Other Costs to be Capitalized is $5,633,602. The State Board does not have a standard for this cost.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE REASONABLENESS OF PROJECT COSTS CRITERION (77 IAC 1110.140 (c)).

D) Criterion 1120.140 (d) - Projected Operating Costs
The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct cost means the fully allocated costs of salaries, benefits and supplies for the service.

The projected operating cost per treatment is $273.87. The applicants have met this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE PROJECTED OPERATING COSTS CRITERION (77 IAC 1110.140 (d)).

E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs
The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion.

The total effect of the project on capital costs per treatment is $32.76. The applicants have met this criterion.

THE STATE AGENCY FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH THE TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS CRITERION (77 IAC 1110.140(e)).